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Pason Systems Inc. 2000 Annual Report



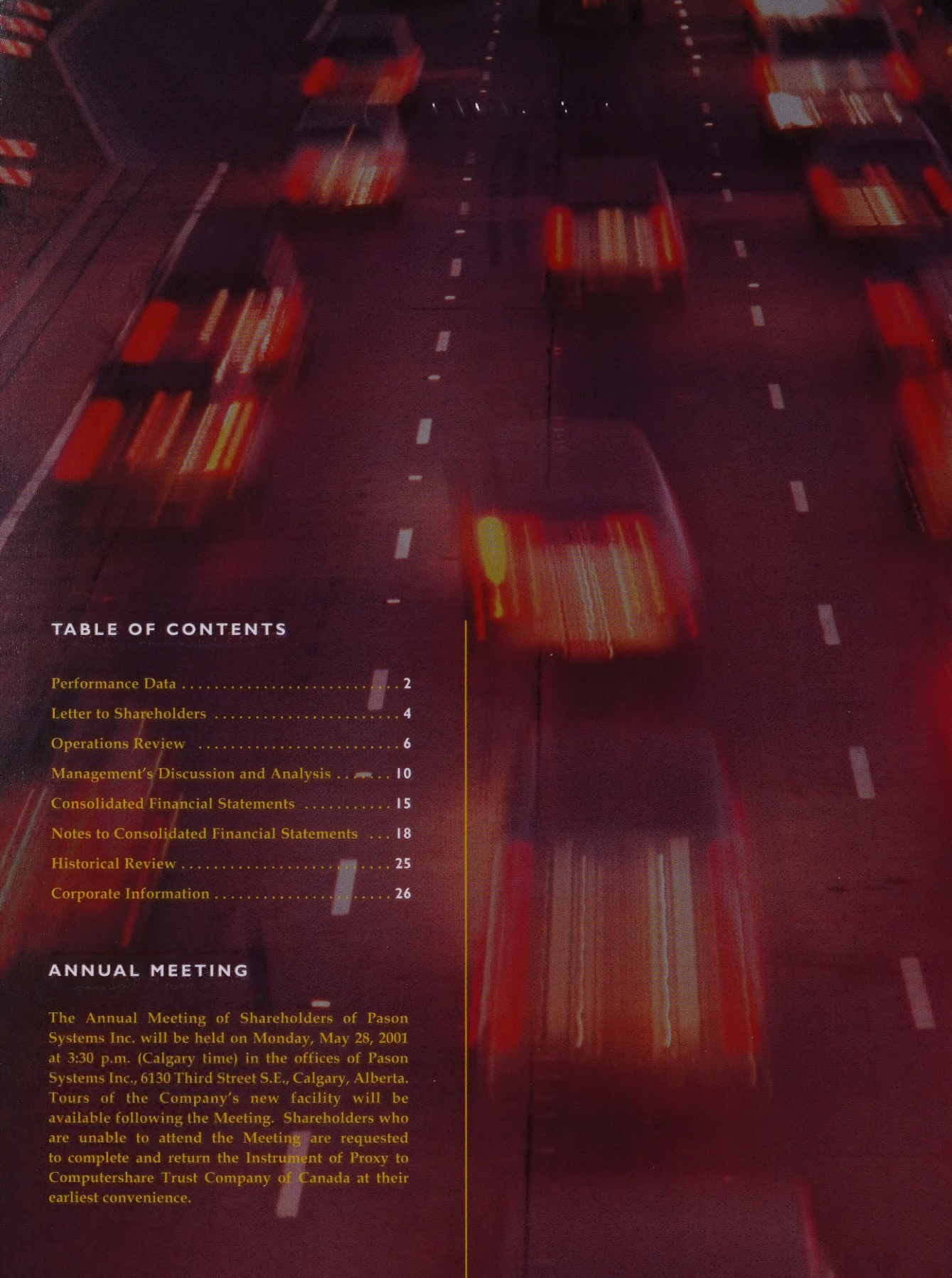


TABLE OF CONTENTS

Performance Data	2
Letter to Shareholders	4
Operations Review	6
Management's Discussion and Analysis	10
Consolidated Financial Statements	15
Notes to Consolidated Financial Statements	18
Historical Review	25
Corporate Information	26

ANNUAL MEETING

The Annual Meeting of Shareholders of Pason Systems Inc. will be held on Monday, May 28, 2001 at 3:30 p.m. (Calgary time) in the offices of Pason Systems Inc., 6130 Third Street S.E., Calgary, Alberta. Tours of the Company's new facility will be available following the Meeting. Shareholders who are unable to attend the Meeting are requested to complete and return the Instrument of Proxy to Computershare Trust Company of Canada at their earliest convenience.

As an industrial technology company, Pason provides

Pason Systems Inc. is a Canadian corporation

data solutions to the North American oil and gas drilling industry.

with its head office located in Calgary, Alberta and

Over the past ten years, Pason has elevated the scope of oilfield

United States offices in Golden, Colorado and Houston, Texas.

instrumentation from its historical commodity priced framework by

Pason has been a public company since 1996,

offering an exclusive knowledge based product line that ranges

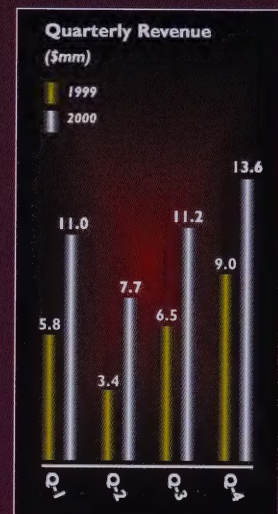
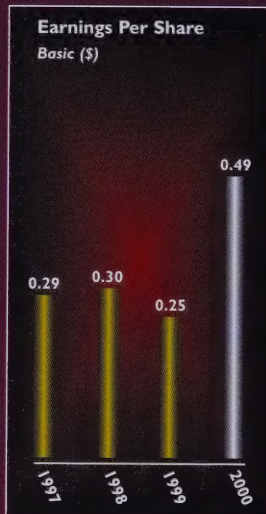
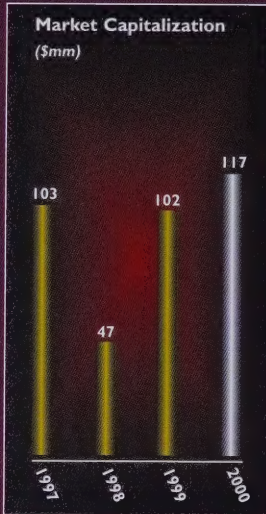
trading on the Toronto Stock Exchange

from electronic hardware to custom software, from

under the ticker symbol PSI.

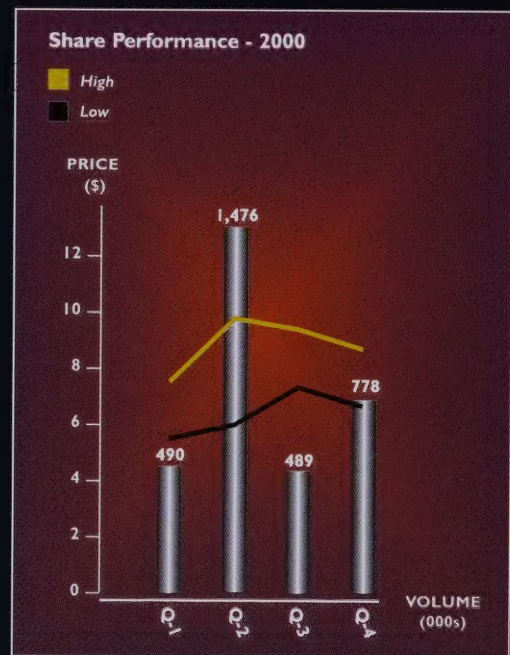
wellsite field services to unique Internet application services.

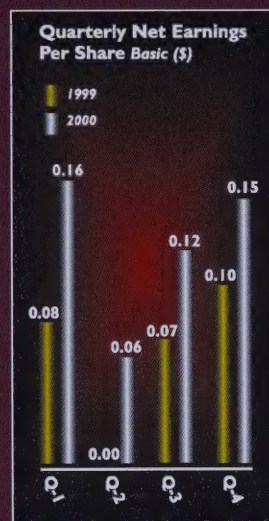
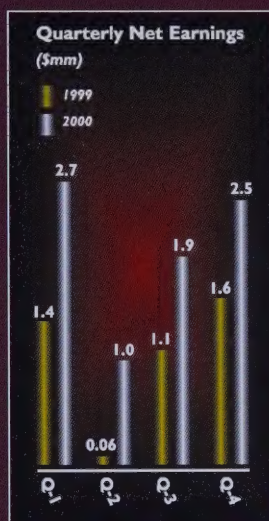
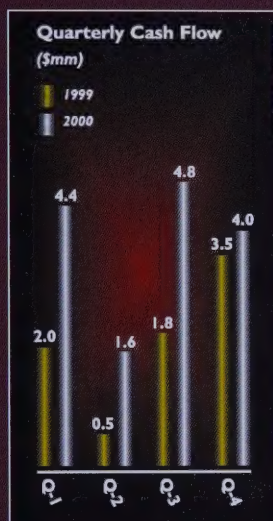




P E R F O R M A N C E

For the fourth year
in Pason's five-year
public life,
the Company
has reported record
revenue, net earnings
and earnings per
share results.





DATA

Years Ended December 31,	2000 \$	1999 \$	Change %
Revenue	43,516,000	24,668,000	76
Net earnings	8,117,000	4,084,000	99
Per share – basic	0.49	0.25	96
Per share – fully diluted	0.47	0.23	104
Cash flow from operations	14,741,000	7,966,000	85
Per share – basic	0.89	0.49	82
Per share – fully diluted	0.85	0.44	93
EBITDA	20,838,000	10,511,000	98
Per share – basic	1.26	0.65	94
Per share – fully diluted	1.17	0.58	102
Capital expenditures	23,419,000	10,851,000	116
Working capital	1,508,000	3,283,000	(54)
Total assets	64,451,000	40,193,000	60
Shareholders' equity	35,448,000	26,261,000	35
Return on shareholders' equity	26%	17%	53
Market capitalization at year-end	117,000,000	102,000,000	15
Weighted average shares outstanding	16,603,965	16,256,513	2



LETTER TO SHAREHOLDERS

**The possibilities for sustained future growth and diversification
are limited only by our vision and our ingenuity in providing
clients further profit improving products and services.**

Results for the Year

For the fourth year in Pason's five-year public life, we are pleased to report record revenue, net earnings and earnings per share results. Revenue increased 76% to \$43.5 million, net earnings jumped 99% to \$8.1 million and fully diluted earnings per share improved 104% to \$0.47 per share over the prior year. More impressively, Pason posted these growth numbers through internally generated funds without dilution to our shareholders. As a result, Pason's return on shareholders' equity was 26%, clearly one of the strongest amongst Canadian public companies.

Contrary to industry analysts who felt Pason's growth potential would plateau, we are in fact accelerating. In 2000, we increased our electronic drilling recorder (EDR) fleet by 57%, our largest year-over-year increase to date, and despite the operational complexities of managing this fleet expansion, our margin or EBITDA still improved significantly to \$20.8 million or 48% of revenue versus \$10.5 million or 43% in 1999. Although we had the opportunity to take more work in the United States, we chose to focus our limited EDR resources on the Canadian market where better

margins could be realized. Since the Company again ran short of rental equipment during this past winter, our 2001 capital expansion plans call for an aggressive building schedule for all of our rental products.

Areas of Significant Growth

During the year, Pason solidified its position of being the industry's sole service company able to deliver a reliable package of complex services including data acquisition, wellsite reporting software, remote communications and Internet data storage and management. Providing these services to the challenging drilling environment requires sound integration of all these products; integration that has been mastered by Pason and which poses a significant entry barrier for new competitors.

At Pason, we pride ourselves in being technological leaders, anticipating the needs of our customers and winning their confidence with a series of well-engineered products. In late 2000, we rolled out the Pason Total Gas System that represents the most significant advancement in gas detection systems

the industry has seen in decades. In addition to being a strong revenue generator in its own right, this product will increase our exposure with geology customers and significantly drive new EDR rentals. Our market penetration in the United States has been steady but unspectacular, however, the introduction of the Total Gas System should dramatically improve our presence in that country going forward. By simplifying the mobilization of our geological services, the system will also allow us to significantly expand this U.S. based product line.

During the final quarter of 2000, Pason introduced its Electronic Choke System in volume. This new system has proven to be reliable and easy to maintain – perhaps the two instrumentation traits our clients value most. As a result of positive customer response, we plan to augment our choke system rental fleet by approximately three times in 2001.

With the benefit of a year of hindsight, the role of the Internet and the response of traditional companies have become much clearer. Simply put, the Internet brings a new set of tools to business. These tools are best employed in the hands of established, creative companies with a vision to maximize their potential and a proven distribution infrastructure. To this end, Pason has been working on an oilfield Invoice Approval System that combines Pason's existing wellsite networks with the Internet. Several successful field tests have proven this product exhibits all the potential for timesaving and accuracy that we envisioned. The difficult next step will be to find customers willing to move enough personnel onto the new system to give it the critical mass within their organization necessary to realize its efficiency benefits. Fortunately, customers need only gain support within their own organization, as our product does not require approval across the entire industry to get started. Through an aggressive marketing plan, within the year we expect customers to share our enthusiasm for this exciting new product.

Outlook

To assist our shareholders in seeing our Company's future growth potential, I would like to make two comments. First, it has been suggested that Pason could be reaching market saturation, especially in Canada. But what is the market ceiling? Two years ago there were approximately 700 rigs working throughout North America, and at

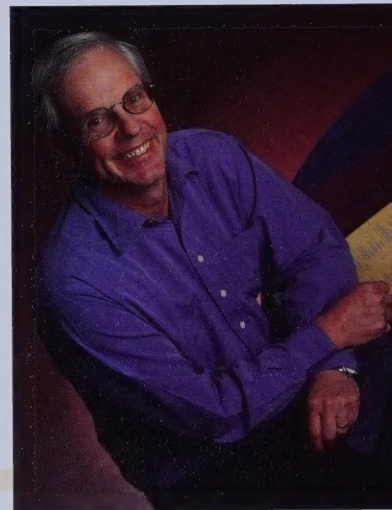
the time of this letter there are approximately 1,700. Twenty years ago there were almost 5,000. I am not suggesting that we will see 5,000 rigs again, but there is little doubt the active rig count will increase. The impressive growth in the number of rigs capable of working has been accomplished with prices that are largely still inadequate to support new rig builds; however, should prices continue to climb and begin to justify new builds, the pace of rig additions could accelerate. Second, as outlined in more detail in the Operations Review section of this Annual Report, the average Pason rental revenue per industry day in Canada was \$247 in 2000. Pason's current suite of field products, however, has the potential to generate revenue of \$700 per day. The United States provides even greater upside. Based on these two comments and the fact that we continue to push the industry's technical agenda by developing a diversified forward-looking suite of products aimed at improving our customer's operating efficiency and return on equity, the future growth potential for our Company indeed looks promising.

Pason has assembled a strong team of 200 employees, many of whom possess impressive technical skills in hardware design, software development and Internet tools. In addition, we have the sound financial resources to fund a \$4 million R&D budget and \$25 million of capital investment from our 2001 cash flow. Frankly, I do not believe anyone truly knows the limits to Pason's growth opportunities; likely, the only restriction will be our ability to use our collective vision and ingenuity.

On behalf of the Board of Directors,



JIM HILL
President & Chairman
March 20, 2001



Jim Hill, President and Chairman

OPERATIONS

REVIEW



Rental Instrumentation

Pason continues to offer a developing suite of rental products that provide wellsite data acquisition and drilling management benefits at both the rig site and in the office. These products start with the cornerstone electronic drilling recorder (EDR) to which all subsequent product offerings are leveraged by using the EDR's existing infrastructure. The progression of Pason's Canadian rental product revenue per drilling day is outlined below:

	Drilling Days #	Pason Canadian Rental Revenue \$000s	Revenue Per Day \$
1997	128,000	12,400	97
1998	89,400	14,800	166
1999	81,800	15,000	183
2000	117,400	28,989	247

Given that an average wellsite incurs costs of approximately \$30,000 per day, which includes a complex combination of services and products, there appears to be ample room in this market for Pason to continue to grow and demonstrate its expertise. The following is a summary of the Company's rental products and the progress achieved during the year.

ELECTRONIC DRILLING RECORDERS

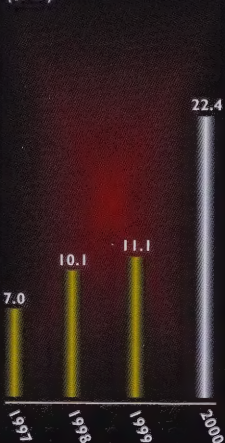
Pason significantly expanded its manufacturing efforts, and subsequently recorded its biggest single year construction of new EDRs. Despite this growth, the Company was still unable to meet all requests for its EDR during the 2001 winter season, and therefore continues to build. The following table demonstrates the growth of this product:

	No. of Systems at Year-End	% of Canadian Rigs Installed	% of U.S. Rigs Installed
1997	228	33	3
1998	370	50	7
1999	452	60	10
2000	711	82	14

EDR Systems
(No. of Systems at Year-End)



EDR Revenue
(\$mm)





Bob Rodda, Rentals Business Manager

During the year, the Company made a considerable investment to equip every working EDR with an MSAT satellite such that all data could be transmitted to the Pason Internet Data Hub and provided to customers in a low cost format. The value of the EDR was also enhanced with the addition of a Drilling Contractor Morning Report that is automatically populated with data captured on the Pason Electronic Tour Sheet.

EDR installations in the United States improved with the overall increase in active rigs in that country, however, Pason's actual market penetration increased only modestly to 14%. This was primarily due to the drilling contractors' reluctance to invest in new instrumentation technology until they could reap the benefits of higher rig prices, which were finally received late in the year. Unfortunately, by that time the Company was facing an equipment shortage in Canada where significantly higher rental margins could be realized, and as a result, a decision was made to defer a U.S. equipment expansion until after the Canadian winter.

In 2001, Pason's Total Gas System will become a completely new driver for EDR rentals. This product is discussed in greater detail later in this review, but the key point is that if the system is as successful as Pason anticipates, it will create a new demand for EDRs in the United States, which are a prerequisite for the Total Gas System to function.

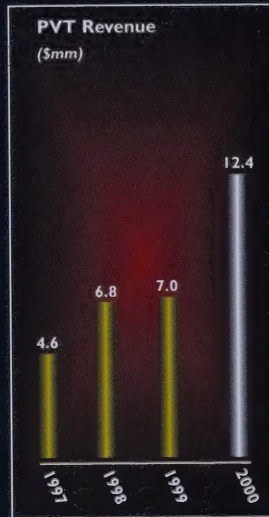
Foreign activity remained inconsequential and only in a pilot project mode to gain more knowledge. Pason maintains small levels of activity in both Kazakhstan and Venezuela. During the year, the Company felt that prices in most foreign markets did not justify expansion given the additional costs and operating complexities involved.

This view was substantiated by the world's largest land drilling contractor who recently expressed disappointment in their international activities, stating that North America appeared to offer the most near-term potential.

PIT VOLUME TOTALIZER

The Pason Pit Volume Totalizer (PVT) continued to surprise with its strong demand. The PVT is critical to the detection and early warning of "kicks," or hydrocarbons entering the wellbore while drilling. With the rapid increase in the number of active rigs and the resulting inevitable dilution of drilling experience by the rig crews, the need for this product becomes even greater. Based on the positive customer response received during the year, the Pason PVT retains its reputation as the most reliable instrument of its type in the industry.

Believing that perhaps the PVT was nearing its maximum penetration in Canada, during 2000, Pason invested in only a modest expansion of approximately 110 new systems. This proved to be clearly inadequate for the orders received late in the year and in early 2001. Although the percent of rigs employing PVTs shows little change in the United States, Canada has witnessed a marked increase. When the Pason PVT was originally created, approximately 30% of all Canadian rigs employed such a device; however, usage currently stands at approximately 75%, with the likelihood of approaching 100% in the near future.



TOTAL GAS SYSTEMS

After three years of arduous development, late 2000 saw the launch of the Pason Total Gas System. This system represents the most technical product designed by Pason to date and has several patents pending. Total Gas Systems are used to measure the total hydrocarbon gases (C1 through C5) entering the wellbore and then adjusting the detection time at surface to calculate the formation depth where the gases were produced. The Pason Total Gas System solves problems in consistent gas analysis and gas extraction that have plagued the industry for decades. Early response to the first commercial run of 20 systems has been excellent, allowing the Company to commit to a much larger run of 200 systems for the second quarter of 2001.

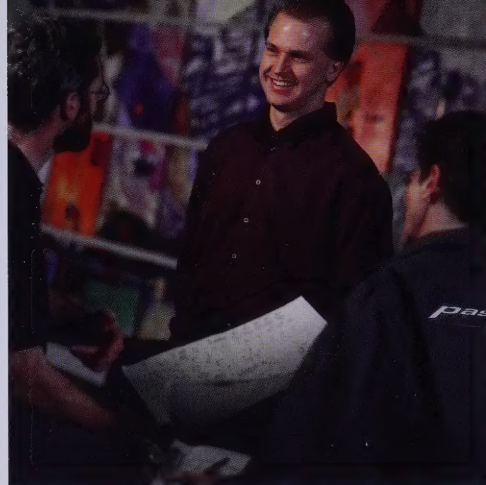
In addition to its strong drilling department customer base, the Total Gas System will give Pason a new marketing contact with geology departments of Operator customers. The system should also be a very powerful driver of EDR rentals, especially in the United States. Approx-

imately 75% of the rigs in Canada and 50% in the United States could benefit by using such a system.

ELECTRONIC CHOKE SYSTEMS

After years of stagnant growth, revenue from drilling choke systems doubled to a modest \$538,000 for 2000. Most sales occurred in the fourth quarter when Pason rolled out its new Electronic Choke System with an initial run of 50 systems. Choke revenue for the final fiscal quarter was up 235% over the same

period in 1999. This product, used to control and remove detected gas "kicks" from the wellbore, is generally found on any rig employing a PVT system. Past systems have required large steel control boxes and were known for their problematic hydraulic control systems, whereas Pason's electronic system is reliable and is easily installed and maintained, therefore gaining immediate customer acceptance. Ultimately, the



James Parks, Manufacturing Manager

system has the potential to generate approximately half of the Company's PVT revenue stream. Pason plans to aggressively expand the roll out of this product in 2001 by installing 200 new systems.

Internet Services

Pason continues to take an industry leading position with the development of new Internet applications. Pason first deployed the Internet in 1997 to organize and manage its diverse field staff and having seen the benefits of this initiative, remains firmly convinced in the power of this important medium as a key business tool. The following describes some of Pason's Internet initiatives and progress in 2000.

INTERNET DATA HUB

In 1999, Pason launched its Internet Data Hub and during 2000, the Company dramatically expanded its look and tools, making it an essential instrument for drilling engineers to monitor and manage the wells under their control. A true electronic well file is beginning to take shape with the assemblage of automatic data acquisition as well as manually prepared reports from both customer personnel and third party service companies. While Pason showed early leadership by investing in satellite hardware to transmit data to its Data Hub at cost, customers now see the benefits and are investing in a variety of methods to achieve high speed Internet connectivity to the wellsite. Regardless of access method, Pason equipment will be designed to provide the needed connectivity.

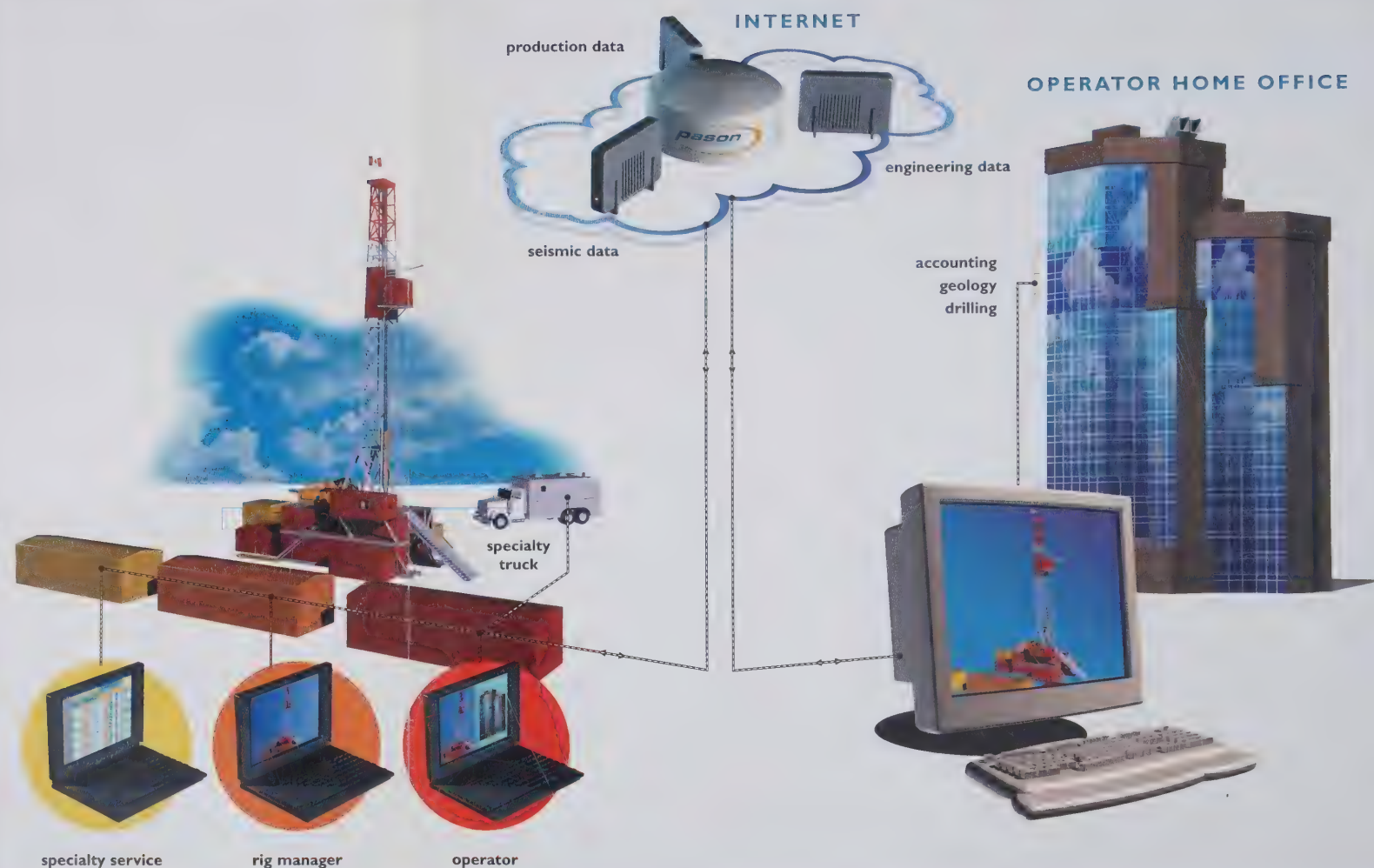
Currently, revenue from the Internet Data Hub is bundled with EDR rentals, although the Company is able to charge an increasing value for this service.



New products and applications are thoroughly tested in Pason's Quality Assurance Lab

INTERNET DATA HUB

Pason continues to take an industry leading position with the development of new Internet applications. The Company utilizes the Internet to provide access to wells currently being drilled and to review information from historical wells. Launched in 1999, the Pason Internet Data Hub provides a convenient and inexpensive mechanism to store data and documents in a true electronic well file, which are then disseminated and retrieved by operator partners and service companies from any location that has Internet access.



The Internet brings a new set of tools to business and
Pason is committed to maximizing its potential.

Once economical high speed Internet access is available at the wellsite, Pason should be able to garner significant revenue from critical real-time well data observation.

OILFIELD ELECTRONIC COMMERCE

The upstream oil and gas industry spends in excess of \$10 billion in Canada and \$100 billion worldwide on the procurement and payment of drilling goods and services. The greatest administrative cost to the industry is in tracking the goods and services to the wellsite, authorizations for payment and physical processing of a deluge of paper invoices from thousands of diverse suppliers, many of whom lack even rudimentary data systems. Pason believes it can lever its dominant wellsite position, rig data network and Internet Data Hub to provide an effective solution with enormous potential for timesaving for key drilling management personnel. This timesaving can then be reinvested to prevent costly drilling problems and help curb the escalation of drilling costs.

During the year, the Company developed a prototype of the Invoice Approval System and tested it with a major operator after year-end. The results of the initial study indicate the benefits of this system to be even greater than originally expected. The major remaining hurdle for this product is to convince operators to use this system as their mainstream process and to have their employees conduct their business using this new model.

DATA MINING

Various models for granting access to Pason's large database of historical wells were discussed throughout the year with numerous customers.

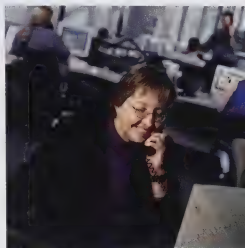
Unfortunately, although most clients could see the value in this information, there was no consensus on how to free up the data. Currently, it appears that most customers feel the risk of granting access to too much of their own data outweighs the benefits of accessing other companies' information. This attitude will likely change at some point in the future; consequently, Pason's current position will be to let industry establish the need.

Geological Services

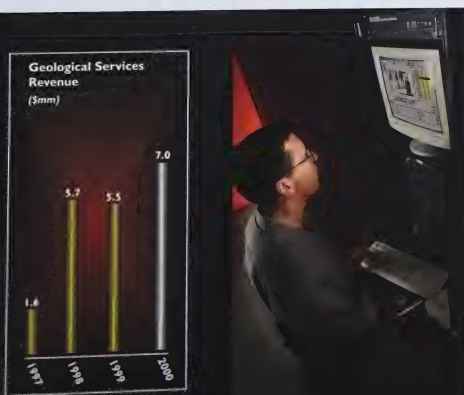
In the United States, the Company provides wellsite geologists and mudlogging technicians who are equipped with specialized instruments to monitor gas in the drilling returns as well as pick formation tops and analyze drilling cuttings. Typically, this business has been referred to as "mudlogging" and has suffered chronic low returns. The major impediment to growth has been the mobilization of specially built, company owned trailers across the United States' vast oil and gas basins. Pason is currently changing this business model by installing the gas detection equipment, which was formerly part of mudlogging, on the rig in a primarily permanent manner and supporting the equipment with its rental field service staff. This frees the mudlogger to focus solely on geology,

which is a higher valued service and also a more attractive work environment. Given the increasing difficulty in finding skilled geologists willing to work at wellsites, this improved environment will provide a distinct hiring advantage to Pason.

Improvement in revenue from geological services was limited because the new business model described above requires Pason's Total Gas System, which only became operational in the U.S. in December. Increased activity provided by this more effective model should improve the Company's geological services revenue in 2001.



Pason's Help Desk provides 7 by 16-hour product assistance to customers and field service staff



State-of-the-art Server Room located in the Company's new Calgary facility

MANAGEMENT'S DISCUSSION AND ANALYSIS



The following discussion and analysis of financial results for the years ended December 31, 2000 and 1999 should be read in conjunction with the consolidated financial statements and the related notes commencing on page 15 of this Annual Report.

Results from Operations

Years Ended December 31,	2000 \$	1999 \$	Change %
Net earnings	8,117,000	4,084,000	99
Cash flow from operations	14,741,000	7,966,000	85
Revenue	43,516,000	24,668,000	76
Rental contribution	25,810,000	13,500,000	91
Rental margins	71%	71%	—
Geological services contribution	1,719,000	1,667,000	3
Geological services margins	24%	30%	(20)

Net earnings increased \$4.0 million or 99% to \$8.1 million in 2000 from \$4.1 million in 1999 due to increased revenues in both Canada and the United States. Revenue, generated primarily from instrumentation rentals and geological services, increased \$18.8 million to \$43.5 million in 2000 from \$24.7 million the prior year. This 76% improvement was due to increases in the number of rental units available and demand for these units brought about by record North American drilling activity levels. During 2000, Canadian rentals increased 94% and accounted for 67% or \$29.0 million of the Company's total revenue with the remaining 33% or \$14.5 million from U.S. rentals, an increase of 50%. This is compared to 61% or \$15.0 million and 39% or \$9.7 million, respectively, recorded in 1999.

Although the Company could have taken more work in the United States, Pason chose to focus on the higher margin Canadian market with its limited rental units. The geographical area of the United States versus that of Western Canada,

as well as the necessary infrastructure to support rentals also contributed to the U.S.'s slower rate of increase. This market, however, provides significant future opportunities.

Margins received from the Company's rentals remained unchanged, while geological services margins decreased despite an increase in prices. Improvement in margins from geological services was limited in 2000, as the new integrated model, which includes Pason's Total Gas System, only became operational in December. Although the ramp up in infrastructure during 1999 and 2000 has positioned Pason to benefit from the ongoing recovery in industry activity, the Company, unlike many other service companies, receives its benefits from volume or activity increases only, not from escalating prices.

Cash flow from operations improved \$6.8 million to \$14.7 million in 2000 compared to \$8.0 million recorded a year ago. This 85% increase resulted from the substantial increase in net income and non-cash depreciation in 2000.

Revenue

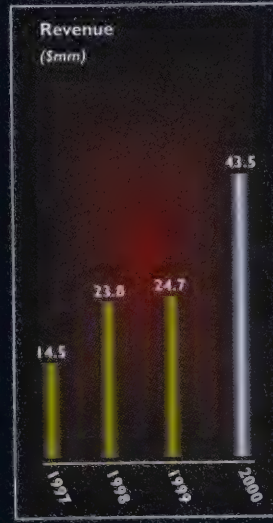
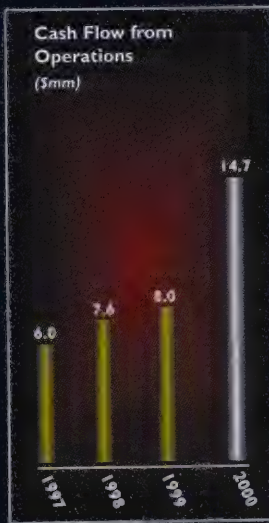
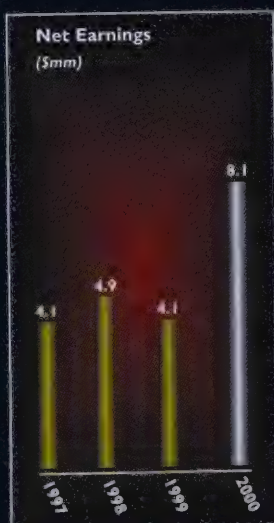
Years Ended December 31,	2000 \$	1999 \$	Change %
EDR revenue	22,430,000	11,081,000	102
PVT revenue	12,405,000	7,051,000	76
Instrumentation rental revenue			
Canada	28,989,000	14,959,000	94
Percentage of total	80%	78%	3
United States	7,471,000	4,190,000	78
Percentage of total	20%	22%	(9)
Geological services revenue	7,045,000	5,519,000	28

During 2000, total rental days for EDRs in Canada were 96,000 compared to 46,000 a year ago, while the United States recorded 32,000 rental days compared to 17,600 in 1999. PVT rental days totaled

65,000 for the year in Canada compared to 37,000 in 1999. PVT rentals in the United States totaled 15,000 compared to 9,000 a year ago. These activity gains parallel the revenue gains made in 2000 over 1999.

Expenses

Years Ended December 31,	2000 \$	1999 \$	Change %
Rental expenses	10,662,000	5,649,000	89
Geological services expenses	5,326,000	3,852,000	38
Shop expenses	1,899,000	1,426,000	33
Research and development expenses	2,006,000	1,403,000	43
Administrative expenses	2,826,000	1,867,000	51
Interest expense	916,000	402,000	128
Depreciation and amortization	5,380,000	2,898,000	86
Consolidated total expenses	29,015,000	17,497,000	66



Expenses incurred over the past two years reflect the cost of building an infrastructure to service the dramatically higher activity levels of the year 2000 and beyond. Accordingly, consolidated total expenses rose 66% or \$11.5 million to \$29.0 million in 2000 versus 1999 expenses of \$17.5 million.

Rental expenses, which primarily consist of wages and direct costs of field servicemen, including but not limited to vehicle costs, communication, equipment repairs and freight increased \$5.0 million or 89% to \$10.7 million. At year-end, there were 54 fieldmen versus 42 at year-end 1999. In order to provide high levels of service as industry activities increased, the Company recruited and

trained additional fieldmen. Personnel were added late in 1999 so the impact was not for the whole year, whereas in 2000, staff was added early in the year so the impact was over the entire fiscal period. Also in 2000, satellite equipment was added to rig site EDRs as an investment in the Internet such that data could be transmitted to the Pason Internet Data Hub and provided to customers at an affordable cost.

Geological services expenses were up 38% to \$5.3 million from \$3.8

million in 1999. The increase is primarily attributable to wage increases, as labor costs represent approximately 60% of total geological services expenses.

Shop, which includes the assemblers and the distribution of Pason products, rose 33% from \$1.4 million to \$1.9 million due to a one-third increase in personnel as well as higher freight and shipping costs.

R&D expenses also increased significantly in 2000 to \$2.0 million from \$1.4 million. In addition, capitalized R&D increased 183% from \$0.6 million to \$1.7 million in 2000. These increases are due to the Company's mandate to expand software and hardware technical talent in order to accelerate product enhancements and new product roll out. Pason's complement of R&D staff almost doubled from mid-1999 to year-end 2000. In spite of a very competitive labor environment, Pason has assembled a respected team of exceptionally skilled specialists.

Administrative expenses increased 51% from \$1.9 million to \$2.8 million in 2000. A significant portion of the increase is due to office relocations in both Canada and the United States and their related one-time costs. In addition, the ongoing expenses associated with managing a public company continue to move costs upward.

Interest expense increased 128% from \$0.4 million to \$0.9 million in 2000. The Company continued to enter into long-term financing arrangements as well as use its credit facility to finance the manufacture of new rental equipment required to meet market demands, based on a decision to use reasonably priced debt financing over dilutive equity financing. In the United States, financing was obtained in late 1999 for the relocation of Pason's U.S. head office from Grand Junction to Denver (Golden), Colorado and its associated leasehold construction.

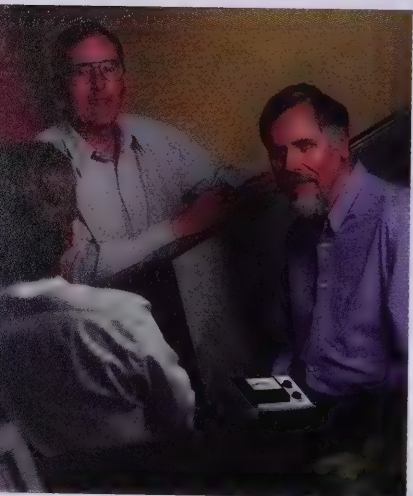
Depreciation and amortization expenses increased 86% to \$5.4 million from \$2.9 million in 1999. A significant portion of the tangible assets are depreciated using a unit-of-use method of accounting as it best matches revenue and expenses such that as rental revenue rises, so will depreciation. Fiscal 2000 was also the first year the Company amortized deferred development costs.

Current income tax expense rose \$3.1 million from \$2.0 million in 1999 to \$5.1 million in 2000 due to the higher level of earnings and a realignment of current versus future tax under the new accounting recommendation adopted January 1, 2000. Despite the higher level of capital expenditures, increased earnings resulted in high levels of current tax payable. The Company's current and future tax rate for 2000 was 44.2% versus 43.4% for 1999. As federal and provincial tax rates are expected to drop significantly over the upcoming years, Pason will begin to see the benefit in lower current and, to a lesser extent, future tax.

Liquidity and Capital Resources

The Company's working capital position at December 31, 2000 was \$1.5 million. Subsequent to year-end, Pason completed a financing totaling \$2.5 million with proceeds from the sale and leaseback used to manufacture instrumentation equipment required to meet strong market demand.

In 2000, Pason realized cash flow of \$14.7 million as well as \$7.5 million from the sale and leaseback of EDRs and PVTs. In the United States,



Robert Kenny, Office Products Project Manager
David White, Field Products Project Manager

proceeds of \$1.0 million from a long-term debt financing were used to fund that country's operations.

Proceeds from the exercise of Company stock options totaled \$0.97 million versus \$0.26 million in 1999. Approximately \$0.13 million was used to reacquire 15,900 Pason common shares for cancellation under the Company's Normal Course Issuer Bid.

Cash flow and financings were used to acquire and build \$21.7 million of new capital assets during 2000, including leasehold improvements of approximately \$2.0 million. A further \$1.7 million was spent on R&D. This represents a 116% or \$12.6 million increase over the prior year's total expenditure amount of \$10.8 million. The Company upgraded a 48,000 square foot Calgary head office facility to improve operating efficiencies and accommodate additional staff.

The Company's capital lease obligations represent 0.76 times 2000 cash flow compared to 0.64 times a year ago. In 2000, there were significant increases in both cash flow and capital lease obligations; accordingly, Pason's net obligation position remained essentially unchanged. During 2001, the Company expects most of its capital expenditures to be financed from the year's cash flow, which is anticipated to increase due to additional rental units in the field and continuing strong industry activity.

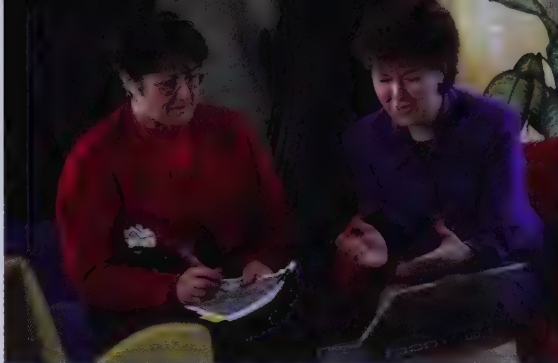
The Company's maximum operating line of credit is \$5.0 million.

Business Risks

Demand for Pason's services is directly related to the strength of energy companies' capital expenditure programs, as Pason derives its revenue from the rental of instrumentation and data services to oil and gas companies and drilling contractors in Canada and the United States. The level of capital programs is directly affected by commodity prices, which are extremely difficult to forecast and beyond the control of Pason and its customers. This represents the major area of uncertainty for the Company.

Weakness in commodity prices could also impact the ability of the Company's customers to pay for the services provided. However, Pason has a very wide customer base and its services are relatively minor when looking at the overall cost of drilling a well.

Pason carries adequate levels of insurance to protect the Company from loss of its rental and geological services equipment. As the equipment is widely



Lucy Tomie, Controller
Joanne Dickie, Chief Financial Officer

distributed throughout North America, the possibility of a loss to a significant portion of its assets is extremely unlikely. In addition, since the Company's equipment is largely unmanned, the customer assumes responsibility for its maintenance and performance.

The Company does not employ hazardous materials, so the possibility of environmental liabilities is limited.

Merger and acquisition activity in the oil and gas exploration and production sector has periodically impacted demand for the Company's services, as customers tend to focus on reorganization activities prior to committing funds to significant drilling programs. In addition, Pason is subject to risks and uncertainties associated with weather and seasonality. Pason continues to react to unfavorable weather conditions and spring breakup through diversification into the United States where these factors are less of an issue.

Outlook

Commodity price volatility persists, however, the supply and demand fundamentals for crude oil and natural gas appear very favorable. Throughout most of 2000 and into 2001, oil and gas prices have remained at levels that are generating record cash flows for Pason's customers. The Company is well positioned to profit from the continued high levels of oilfield activity, and as a result, expects to spend in excess of \$25.0 million, primarily from cash flow, to add supplementary current and new products in 2001 in Canada, and to a greater extent in the United States where significant room for additional market share exists.

Over the past several years, Pason has made a significant investment to develop an infrastructure that will support the industry's current activity levels. During 2001, the Company's focus will be to maximize the relationship between operating efficiencies, operating costs and customer service.

Management's Report

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Board of Directors of the Company. Management is responsible for and has prepared and presented the consolidated financial statements in accordance with accounting principles generally accepted in Canada and has made significant accounting judgements and estimates as required. Management has ensured that financial information contained elsewhere in this Annual Report is consistent with the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements and ensuring management meets their financial reporting responsibilities.



JAMES D. HILL
President & Chairman



JOANNE DICKIE
Chief Financial Officer

February 26, 2001
Calgary, Alberta

Auditors' Report

We have audited the consolidated balance sheets of Pason Systems Inc. as at December 31, 2000 and 1999 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

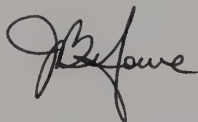
February 26, 2001
Calgary, Alberta

Years Ended December 31,	2000	1999
	\$	\$
Assets		
Current		
Cash and term deposits	1,441,426	207,860
Accounts receivable	13,992,704	9,799,269
Income taxes receivable	—	320,784
Inventory	2,463,784	951,532
Prepaid expenses	251,691	182,012
	18,149,605	11,461,457
Capital assets (Note 5)	43,324,782	27,110,968
Deferred development costs (Note 6)	2,352,396	874,179
Goodwill (Note 7)	624,195	746,716
	64,450,978	40,193,320
Liabilities		
Current		
Bank indebtedness (Note 8)	1,590,000	1,730,370
Accounts payable and accrued liabilities	7,869,560	4,796,665
Income taxes payable	3,606,912	—
Current portion of long-term debt (Note 9)	262,652	—
Current portion of obligations under capital leases (Note 10)	3,312,094	1,651,525
	16,641,218	8,178,560
Long-term debt (Note 9)	634,694	—
Obligations under capital leases (Note 10)	7,834,379	3,446,933
Deferred revenue	92,559	147,975
Future income taxes (Note 12)	3,799,834	2,159,013
	29,002,684	13,932,481
Shareholders' Equity		
Share capital (Note 11)	12,266,526	11,314,054
Foreign currency translation adjustment	732,399	71,552
Retained earnings	22,449,369	14,875,233
	35,448,294	26,260,839
	64,450,978	40,193,320

Approved by the Board of Directors



JAMES D. HILL
Director



JAMES B. HOWE
Director

Years Ended December 31,	2000	1999
	\$	\$
Revenue		
Drilling recorder rentals	22,430,340	11,081,184
Pit volume totalizer rentals	12,405,340	7,051,092
Geological services	7,045,113	5,519,332
Choke rentals	538,181	264,113
Other income	1,097,311	752,273
	43,516,285	24,667,994
Expenses		
Rental	10,661,661	5,648,802
Geological services	5,326,028	3,852,007
Shop	1,899,549	1,425,923
Research and development	2,006,024	1,402,853
Administration	2,825,782	1,866,999
Interest on long-term debt	762,225	234,594
Interest - other	153,284	167,986
Depreciation and amortization	5,380,290	2,897,633
	29,014,843	17,496,797
Earnings from operations	14,501,442	7,171,197
Gain on sale of capital assets	40,646	40,045
Earnings before income taxes	14,542,088	7,211,242
Income taxes (Note 12)		
Current	5,085,077	1,998,151
Future	1,339,616	1,129,151
	6,424,693	3,127,302
Net Earnings	8,117,395	4,083,940
Retained Earnings, Beginning of Year	14,875,233	10,791,293
Change in accounting policy (Note 3)	(435,955)	-
Repurchase of common shares (Note 11(b))	(107,304)	-
Retained Earnings, End of Year	22,449,369	14,875,233
Earnings per share (Note 14)		
Basic	0.49	0.25
Fully diluted	0.47	0.23

Years Ended December 31,

2000

1999

\$

\$

Cash Flows Related to the Following Activities:**Operating**

Net earnings	8,117,395	4,083,940
Adjustments for:		
Depreciation and amortization	5,380,290	2,897,633
Future income taxes	1,339,616	1,129,151
Deferred revenue earned	(55,416)	(104,878)
Gain on sale of capital assets	(40,646)	(40,045)
Cash flow from operations	14,741,239	7,965,801
Changes in non-cash working capital	1,225,224	27,622
	15,966,463	7,993,423

Financing

Issue of common shares	970,868	258,074
Repurchase of common shares under Normal Course Issuer Bid	(125,700)	-
Proceeds from long-term debt, net of repayments	897,346	-
Proceeds from capital leases, net of repayments	6,048,015	1,238,806
	7,790,529	1,496,880

Investing

Purchase of capital assets	(21,680,089)	(10,270,865)
Development costs	(1,739,324)	(580,241)
Proceeds on disposal of capital assets	375,510	114,031
	(23,043,903)	(10,737,075)
Foreign currency translation adjustment	660,847	(720,376)
Net Increase (Decrease) in Cash and Cash Equivalents	1,373,936	(1,967,148)
Cash and Cash Equivalents, Beginning of Year	(1,522,510)	444,638
Cash and Cash Equivalents, End of Year	(148,574)	(1,522,510)
Represented by:		
Cash and term deposits	1,441,426	207,860
Bank indebtedness	(1,590,000)	(1,730,370)
	(148,574)	(1,522,510)
Cash flow per share (Note 14)		
Basic	0.89	0.49
Fully diluted	0.85	0.44

Supplemental cash flow information (Note 16)

1. Description of Business

Pason Systems Inc. (the "Company") designs and manufactures for rent specialized proprietary instrumentation for use on land based drilling rigs.

2. Basis of Presentation

The accompanying consolidated financial statements include the accounts of Pason Systems Inc. and its wholly-owned subsidiaries Pason Systems Corp. and Pason Systems USA Corp. The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. Change in Accounting Policy

Effective January 1, 2000, the Company adopted the new accounting recommendation of the Canadian Institute of Chartered Accountants for accounting for income taxes using the liability method. For the year ended 1999, the Company followed the deferral method of accounting for tax effects of timing differences between taxable income and income as recorded in the consolidated financial statements. The new policy was applied retroactively which resulted in a decrease in opening retained earnings of \$435,955, representing the cumulative effect of the change on prior years.

4. Significant Accounting Policies

Inventory

Inventory is comprised of parts and raw materials awaiting assembly into capital assets. Inventory is recorded at the lower of average cost and net realizable value.

Capital Assets

The electronic drilling recorders and pit volume totalizer systems are recorded at cost and are depreciated using a unit-of-use method based on 1,800 days with a 10% salvage or residual value.

All other capital assets are recorded at cost and are depreciated using the declining-balance method at the following annual rates:

Geological services equipment	10%	Trucks	30%
Electronic drilling chokes and panels	20%	Other	30%

Leasehold improvements, included in other capital assets, are amortized on a straight-line basis over the term of the lease.

Research and Development

The Company follows the practice of expensing all research expenditures as incurred, net of related investment tax credits. Development costs are expensed as incurred, unless they meet the criteria for deferral and amortization under Canadian generally accepted accounting principles.

Development costs incurred on new product development projects, which, in the Company's view, have clearly defined market prospects are deferred and will be amortized over three years commencing in the year in which the new products begin generating rental revenue. However, at such time that the products are deemed not commercially viable, the balance of the related costs will be expensed.

Foreign Currency Translation

The accounts of the Company's self-sustaining foreign operations are translated into Canadian dollars using the current-rate method. Assets and liabilities are translated at the year-end exchange rate and revenues and expenses are translated at average exchange rates. Gains and losses arising from the translation of the financial statements of the foreign operations are deferred in a foreign currency translation adjustment account in shareholders' equity.

Goodwill

Goodwill is recorded at cost and is being amortized on a straight-line basis over a period of ten years. The recoverability of goodwill is assessed annually based on the estimated future cash flows related to operations in the United States.

Deferred Revenue

Deferred revenue is comprised of any gains on the sale and leaseback of equipment resulting from lease financing. This gain will be recognized into income over the estimated economic life of the equipment. Amortization of the gain, amounting to \$55,416 (1999 - \$104,878) is included in other income.

Income Taxes

The Company follows the liability method of accounting for income taxes in accordance with the Canadian Institute of Chartered Accountants new income tax standard. Under the liability method, the Company records future income taxes on the effect of any differences between the accounting and income tax basis of an asset or liability. The effect of a change in income tax rates on future income tax liabilities is recognized in income in the period that the change occurs.

5. Capital Assets

2000	Cost	Accumulated Depreciation & Amortization	Net Book Value
	\$	\$	\$
Electronic drilling recorders	20,687,245	2,902,987	17,784,258
Electronic drilling recorders under capital lease	12,014,226	1,912,564	10,101,662
Pit volume totalizers	6,141,839	1,533,645	4,608,194
Pit volume totalizers under capital lease	1,050,000	287,605	762,395
Total gas systems	135,010	-	135,010
Geological services equipment	4,303,089	1,600,704	2,702,385
Electronic drilling chokes and panels	985,401	461,392	524,009
Trucks	1,996,784	837,469	1,159,315
Trucks under capital lease	1,939,954	743,769	1,196,185
Leasehold improvements	2,774,645	625,306	2,149,339
Other	3,209,897	1,007,867	2,202,030
	55,238,090	11,913,308	43,324,782

5. Capital Assets, continued

1999	Cost	Accumulated Depreciation & Amortization	Net Book Value
	\$	\$	\$
Electronic drilling recorders	13,581,414	1,903,919	11,677,495
Electronic drilling recorders under capital lease	5,532,472	760,140	4,772,332
Pit volume totalizers	5,022,393	1,263,825	3,758,568
Pit volume totalizers under capital lease	350,000	22,357	327,643
Geological services equipment	3,925,215	1,010,915	2,914,300
Electronic drilling chokes and panels	492,010	404,743	87,267
Trucks	1,693,031	913,958	779,073
Trucks under capital lease	1,202,891	481,284	721,607
Other	2,560,819	488,136	2,072,683
	34,360,245	7,249,277	27,110,968

6. Deferred Development Costs

	2000	1999
	\$	\$
Balance, beginning of year	874,179	293,938
Additional costs deferred	1,739,324	580,241
Amortization	(261,107)	-
Balance, end of year	2,352,396	874,179

7. Goodwill

	2000	1999
Cost	Accumulated Amortization	Net Book Value
\$	\$	\$
Goodwill	1,189,261	565,066
		624,195
		746,716

The amortization recorded in 2000 is \$165,391 (1999 - \$152,300).

8. Bank Indebtedness

The Company's subsidiary, Pason Systems Corp., has a \$5,000,000 credit facility, which bears interest at the bank prime rate plus 1%. A general assignment of accounts receivable is pledged as collateral. At December 31, 2000, an amount of \$1,590,000 had been drawn on this credit facility (1999 - \$139,000).

The Company's U.S. subsidiary has a US\$500,000 (Cdn.\$750,400) revolving line of credit, which bears interest at bank prime rate plus 0.5%. The revolving line of credit requires monthly interest payments and matures June 20, 2001. At December 31, 2000, no amount was drawn on the line of credit. A general assignment of accounts receivable, equipment and inventory is pledged as collateral.

In 1999, the Company's U.S. subsidiary had a US\$1,100,000 (Cdn.\$1,591,370) credit facility with interest at bank rate plus 1%. At December 31, 1999, an amount of \$1,591,370 had been drawn on this credit facility.

9. Long-Term Debt

The Company's U.S. subsidiary has a US\$700,000 (Cdn.\$1,036,560) term facility at prime rate plus 0.5% and requires monthly principal payments of US\$14,584 (Cdn.\$21,888) plus interest to May 20, 2004. A general assignment of accounts receivable, equipment and inventory is pledged as collateral. At December 31, 2000, US\$597,912 (Cdn.\$897,346) was drawn on the term facility. The current portion as at December 31, 2000 was US\$175,008 (Cdn.\$262,652).

10. Obligations Under Capital Leases

Future minimum payments under capital leases and the present value of the net minimum lease payments as at December 31, 2000 and 1999 are as follows:

	2000	1999
	\$	\$
2000	-	2,092,009
2001	4,144,596	1,790,603
2002	3,315,798	982,466
2003	3,262,940	647,839
2004	2,211,705	289,246
	12,935,039	5,802,163
Imputed interest on leases at 7% to 9%	1,788,566	703,705
Present value of net minimum lease payments	11,146,473	5,098,458
Less current portion	3,312,094	1,651,525
	7,834,379	3,446,933

11. Share Capital

Authorized

Unlimited number of common shares

Unlimited number of preferred shares

Issued

Common shares

	Number of Shares	Amount \$
Balance, December 31, 1998	16,169,521	11,055,980
Exercise of employee stock options	126,200	258,074
Balance, December 31, 1999	16,295,721	11,314,054
Exercise of employee stock options	509,165	970,868
Purchased and cancelled under Normal Course Issuer Bid	(15,900)	(18,396)
Balance, December 31, 2000	16,788,986	12,266,526

II. Share Capital, continued

- (a) At December 31, 2000, stock options were outstanding for 1,962,135 common shares at \$0.70 to \$9.00 per share expiring between October 31, 2001 and December 29, 2005 as follows:

	2000		1999	
	Share Options	Weighted Average Exercise Price	Share Options	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding, beginning of year	1,875,000	3.64	1,624,500	2.19
Granted	806,800	7.08	574,500	5.42
Exercised	(509,165)	1.91	(126,200)	2.04
Cancelled	(210,500)	5.95	(197,800)	4.89
Outstanding, end of year	<u>1,962,135</u>	<u>4.83</u>	<u>1,875,000</u>	<u>3.64</u>
Exercisable, end of year	821,635		1,350,000	
Available for grant, end of year	52,543		80,486	

	2000		1999	
Range of Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
	#	\$	#	\$
\$0.70 - \$4.00	770,743	2.20	1,104,200	1.59
\$4.01 - \$6.50	769,892	5.92	332,800	3.79
\$6.51 - \$9.00	421,500	7.66	438,000	5.74
	<u>1,962,135</u>	<u>4.83</u>	<u>1,875,000</u>	<u>3.64</u>

- (b) Effective October 2, 2000, The Toronto Stock Exchange accepted notice of the Company's intention to make a Normal Course Issuer Bid (the "Bid") through the facilities of the exchange. The Bid commenced on October 4, 2000 and is set to expire on October 3, 2001. Under the provisions of the Bid, the Company purchased 15,900 common shares during 2000 at an average price of \$7.93 per share. The shares have subsequently been cancelled. The cost of the purchases was \$125,700, of which \$18,396 was charged to share capital based on the average book value per share as of the date of purchase, and the remaining \$107,304 was an adjustment to retained earnings.

12. Income Taxes

The provision for income taxes reflects an effective income tax rate, which differs from the combined federal and provincial statutory rates of 43.6% for 2000 and 44.6% for 1999. As well, Pason Systems USA Corp. has federal and state statutory tax rates of 34% for 2000 and 1999. The main differences are as follows:

	2000 \$	1999 \$
Earnings before tax	14,542,088	7,211,242
Expected income tax	6,430,350	3,216,214
Increase (decrease) resulting from:		
Temporary differences related to capital assets	477,757	338,447
Share issuance deductions	(77,773)	(121,337)
Other non deductibles	27,548	-
Lower United States income tax rates	(157,533)	(74,168)
Recognized benefit of losses	(275,656)	(231,854)
Income tax expense	6,424,693	3,127,302

The Company has future income tax assets and liabilities as follows:

	2000 \$	1999 \$
Temporary differences related to capital assets	(3,865,168)	(2,802,936)
Future tax benefit of share issuance costs	65,334	104,152
Future tax benefit of loss carryforwards	-	539,771
	(3,799,834)	(2,159,013)

13. Financial Instruments

The fair value of financial instruments, which include accounts receivable, inventory, bank indebtedness, accounts payable and accrued liabilities, long-term debt and obligations under capital leases approximates amounts at which these instruments could be exchanged in a transaction between knowledgeable and willing parties.

The Company is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations. However, the Company has a large number of customers, which minimizes concentration of credit risk.

Obligations under capital leases carry interest at rates which are not significantly different from year-end interest rates. Consequently, the fair value of these long-term liabilities approximates their carrying value.

Long-term debt is based on prime rate interest rates. As a result of fluctuations to prime rates, the Company is exposed to interest rate risks.

14. Per Share Amounts

Earnings and cash flow per share have been calculated using the weighted average number of common shares outstanding during the year, which amounted to 16,603,965 shares (1999 - 16,256,513). Fully diluted amounts per share have been calculated using the weighted average number of common shares of 18,562,979 shares (1999 - 18,131,513) including the options outstanding.

15. Segmented Information

2000	Canada \$	U.S. \$	Total \$
Revenue from external customers	29,000,514	14,515,771	43,516,285
Depreciation and amortization	3,784,362	1,595,928	5,380,290
Operating costs	11,555,581	10,950,670	22,506,251
Segment operation profit	13,660,571	1,969,173	15,629,744
Interest on long-term debt			762,225
Interest - other			153,284
Corporate expenses			172,147
Income tax expense			6,424,693
Net earnings			8,117,395
Identifiable assets	46,094,984	18,355,994	64,450,978
Capital expenditures	16,327,187	5,352,902	21,680,089

1999	Canada \$	U.S. \$	Total \$
Revenue from external customers	14,959,040	9,708,954	24,667,994
Depreciation and amortization	1,830,535	1,067,098	2,897,633
Operating costs	6,367,726	7,714,759	14,082,485
Segment operation profit	6,760,779	927,097	7,687,876
Interest on long-term debt			234,594
Interest - other			167,986
Corporate expenses			74,054
Income tax expense			3,127,302
Net earnings			4,083,940
Identifiable assets	26,672,381	13,520,939	40,193,320
Capital expenditures	7,950,373	2,320,492	10,270,865

16. Supplemental Cash Flow Information

Interest paid during 2000 was \$915,509 (1999 - \$402,580). Income tax paid during 2000 was \$1,899,299 (1999 - \$2,654,423).

17. Commitments

The Company entered into a lease for Calgary office premises commencing April 1, 2000 and expiring March 31, 2010 with an option for an additional five (5) years. The minimum annual rental payments in years one through five are \$377,184. Further minimum annual lease payments of \$122,585 to September 30, 2004 are required under the Company's Denver lease.

18. Subsequent Events

On January 24, 2001, the Company entered into a sale-leaseback agreement for which there is no resulting gain on sale. The Company sold capital assets amounting to \$2,473,718 and subsequently leased back the capital assets over three years, with an imputed interest rate of 8.66% and monthly payments of \$66,196.

HISTORICAL REVIEW

Selected Financial Data

Years Ended December 31,	2000	1999	1998	1997	1996
	\$	\$	\$	\$	\$
Operating Results					
Revenue	43,516,000	24,668,000	23,768,000	14,496,000	4,497,000
Expenses					
Rental	10,662,000	5,649,000	4,830,000	2,348,000	1,029,000
Geological services	5,326,000	3,852,000	3,568,000	911,000	-
Shop	1,900,000	1,426,000	1,125,000	740,000	298,000
Administration	2,826,000	1,867,000	1,631,000	702,000	441,000
Research & development	2,006,000	1,403,000	967,000	508,000	222,000
Depreciation & amortization	5,380,000	2,898,000	2,584,000	1,689,000	580,000
Net earnings	8,117,000	4,084,000	4,900,000	4,102,000	909,000
Per share - basic	0.49	0.25	0.30	0.29	0.07
Cash flow from operations	14,741,000	7,966,000	7,614,000	6,014,000	1,537,000
Per share - basic	0.89	0.49	0.47	0.43	0.11
EBITDA	20,838,000	10,511,000	11,686,000	9,275,000	2,332,000
Per share - basic	1.26	0.65	0.73	0.66	0.19
Capital expenditures	23,419,000	10,851,000	8,294,000	7,957,000	2,438,000
Financial Position					
Current assets	18,150,000	11,461,000	10,470,000	10,529,000	3,028,000
Total assets	64,451,000	40,193,000	30,736,000	25,179,000	7,346,000
Working capital	1,508,000	3,283,000	5,769,000	3,824,000	600,000
Long-term debt	635,000	-	-	233,000	364,000
Future income tax	3,800,000	2,159,000	1,030,000	860,000	81,000
Shareholders' equity	35,448,000	26,261,000	22,639,000	16,878,000	3,979,000
Return on shareholders' equity	26%	17%	24%	41%	43%
Common Share Data					
Common shares outstanding (#)					
At December 31	16,788,986	16,295,721	16,169,521	15,899,721	13,721,429
Weighted average	16,603,965	16,256,513	16,103,346	14,057,884	12,412,074
Share trading					
High (\$)	9.75	6.90	8.50	6.50	2.40
Low (\$)	5.50	2.25	2.50	6.30	0.70
Close (\$)	6.95	6.25	2.90	6.50	2.15
Volume (#)	3,233,239	3,265,766	4,986,949	4,422,000	n/a

CORPORATE INFORMATION

Directors

Harold R. Allsopp ⁽¹⁾⁽²⁾

President

Habede Holdings Ltd.

Calgary, Alberta

Murray L. Cobbe ⁽²⁾⁽³⁾

President

Trican Well Service Ltd.

Calgary, Alberta

James D. Hill ⁽¹⁾

President & Chairman

Pason Systems Inc.

Calgary, Alberta

James B. Howe ⁽¹⁾⁽²⁾

President

Bragg Creek Investments Ltd.

Calgary, Alberta

Paul Little ⁽³⁾

Private Investor, Corporate Director,

Financial Adviser

Calgary, Alberta

Peter Mackechnie ⁽³⁾

Associate Director

Bear Stearns

Los Angeles, California

(1) Audit Committee Member

(2) Compensation Committee Member

(3) Corporate Governance Committee Member

Officers and Key Personnel

Pason Systems Inc.

Jim Hill

President & Chairman

Joanne Dickie

Chief Financial Officer

Pason Systems Corp.

Jim Hill

President

Joanne Dickie

Chief Financial Officer

Lucy Tomie

Controller

James Parks

Manufacturing Manager

Bob Rodda

Rentals Business Manager

David White

Field Products Project Manager

Robert Kenny

Office Products Project Manager

Pason Systems USA Corp.

Jim Hill

President

Jerry Aberle

Chief Financial Officer

Art Curtis

Geological Operations Manager

Ben Thomas

Rentals Manager (Southern)

Matt Slattery

Rentals Manager (Northern)

Corporate Head Office

Pason Systems Inc.

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E-Mail: info@pason.com

Auditors

Deloitte & Touche LLP

Calgary, Alberta

Banker

Royal Bank of Canada

Calgary, Alberta

Legal Counsel

Ballem MacInnes

Calgary, Alberta

Registrar and Transfer Agent

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

Computershare Trust Company of Canada
Suite 600

530 Eighth Avenue S.W.

Calgary, Alberta T2P 3S8

Attn.: Stock Transfer Department

Telephone: (403) 267-6800

Stock Trading

Toronto Stock Exchange

Trading Symbol: PSI





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